

**Council Meeting: February 26, 2013****SUBJECT: Approval of Budget Modification No. 35 to Appropriate Additional Housing Mitigation Funds to Project 828100 First Time Homebuyer Loans****DISCUSSION**

The FY 2012/13 budget for Project 828100, First Time Homebuyer Loans, has an allocation of \$136,075 for First Time Home Buyer (FTHB) loans. So far this fiscal year, staff has issued \$113,450 in FTHB loans, leaving a balance of \$22,625 in this project. Staff estimates, based on current loan funding rates and several pending applications, that an additional \$200,000 will be needed to assist four to five additional buyers purchasing Below Market Rate (BMR) homes scheduled to close escrow before June 30, 2013.

The FTHB Loan Program was initially approved on July 22, 2003. Since its inception, 50 loans totaling over \$2.1 million dollars have been issued. There have been zero FTHB loan defaults and six FHTB loans have been paid in full, including the original principal amount plus accrued interest. The goal of the FTHB Loan Program is to assist low- and moderate-income first time home buyers who live and/or work in Sunnyvale to purchase a local home. The additional funds being requested are needed to assist moderate-income buyers, which are those buyers whose household income exceeds 80% of Area Median Income (AMI). For lower-income buyers with household income below 80% AMI, there are still funds remaining in the HOME funded project that can be used to fund FHTB loans.

The FTHB Loan Program requires buyers be low- or moderate-income, have a 5% down-payment, live and/or work in Sunnyvale, be a first time homebuyer, and purchase a home within Sunnyvale city limits. The maximum FTHB loan amount is \$50,000, and loans funded for the purchase of a BMR home are charged 3% simple interest with a term of 30 years. Typically loans have been funded in the range of \$30,000 to \$40,000.

EXISTING POLICY

City of Sunnyvale General Plan - Housing and Community Revitalization Sub-Element

Policy A.6: Provide first time homebuyer assistance to low- or moderate-income households, with priority to buyers who currently work and/or live in Sunnyvale.

FISCAL IMPACT

Budget Modification No. 35 has been prepared to appropriate \$200,000 from the Housing Mitigation Fund Reserve to Project 828100, First Time Homebuyer Loans, to fund loans to moderate-income households expected to buy homes during the

current fiscal year. This fund's reserve has the capacity to absorb this additional appropriation without impacting planned expenditures over the next 20 years.

**Budget Modification No. 35
FY 2012/2013**

	Current	Increase/ (Decrease)	Revised
Housing Fund			
<u>Expenditures</u>			
Project 828100 – First Time Homebuyer Loans	\$22,625	\$200,000	\$222,625
<u>Reserves</u>			
Housing Mitigation Reserve	\$4,502,625	(\$200,000)	\$4,302,625

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

RECOMMENDATION

Staff recommends approval of Budget Modification No. 35 to appropriate \$200,000 from the Housing Mitigation Fund Reserve to Project 828100, First Time Homebuyer Loans, to fund loans to moderate-income households expected to buy homes during the current fiscal year.

Reviewed by:

Hanson Hom, Director, Community Development
Prepared by: Ernie Defrenchi, Affordable Housing Manager

Reviewed by:

Grace Leung, Director, Finance

Approved by:

Gary M. Luebbers
City Manager